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UNCLAS SECTION 01 OF 02 GUATEMALA 001814

SIPDIS

SENSITIVE

DEPT FOR WHA/PPC: CHARLOTTE ROE
USTR FOR VIONDETTE LOPEZ AND BUD CLATANOFF
USDOL FOR ILAB: ROBERT WHOLEY

E.O. 12958: N/A

TAGS: [ELAB](#) [ETRD](#) [PGOV](#) [PHUM](#) [GT](#)

SUBJECT: CHOI SHIN/CIMATEXTILES LABOR AGREEMENT REACHED

REF: GUATEMALA 1313

1. (SBU) Summary: After being threatened with withdrawal of tax exemption privileges by the Ministry of Economy, management of the Choi Shin/Cimatextiles maquila plants met GOG requirements by successfully concluding and signing on July 9 a collective bargaining agreement with each plant union and achieving two other agreements with the union on other pending labor complaints. On July 10, the GOG acknowledged these efforts and withdrew its threat to close the plants for labor violations. The resolution of the Choi Shin/Cimatextiles case sets an important precedent in Guatemala: while other collective bargaining agreements have been achieved in the sector, all resulted in the closure of the plant and loss of unionized jobs. This agreement is the first result of the GOG's new forceful application of a mechanism to compel respect for labor rights in the maquila sector. Thirty similar cases of factories with unresolved labor complaints under GOG threat of closure remain. End Summary.

Background

2. (U) The Choi Shin/Cimatextiles plants share Korean ownership and are co-located in the same complex in the Villa Nueva municipality adjacent to the capital. They employ a total of 1300 workers. Liz Claiborne Inc. is one of the major buyers of clothing made in these factories. Anti-union violence, encouraged by management, broke out in July 2001 when some workers filed a petition with the Labor Ministry announcing a unionization drive. After international attention and GOG intervention, two plant unions (SITRACHOI and SITRACIMA) were organized. Since then, union members reported a climate of low-level anti-union harassment which prevented the unions from achieving the 25% threshold of worker support to compel collective bargaining negotiations. Meanwhile workers filed complaints with the Ministry of Labor regarding unjustified firings (approximately 40 cases since July 2001) and other issues.

Minister's Role

3. (SBU) Minister of Labor Moreira told visiting USTR and USDOL officials in May (RefTel) that President Portillo had authorized the use of the Minister of Economy's power to grant import and export tax privileges to compel resolution of labor complaints pending against maquila employers. At a bilateral labor working group on July 10 (SepTel), Minister Moreira told the Ambassador that the Labor Ministry has sent a list of 30 maquilas with outstanding labor violations to the Minister of Economy. It chose Choi Shin/Cimatextiles as the first case, not to threaten the existence of the only two unions currently in existence in the maquila sector, he said, but because it is the case that has generated the most international attention. If the GOG's three conditions were met by July 10 (two had already been met by an earlier deadline of July 7), he said, the GOG's threat to withdraw tax privileges would be rescinded. The outstanding requirement was to present a signed collective bargaining agreement.

4. (SBU) Liz Claiborne's local representative and an agent of the Fair Labor Association kept the Embassy informed of the status of negotiations between Choi Shin/Cimatextiles' management and the unions throughout the negotiation and played important roles encouraging an agreement. Agreement was reached on the final issue of a monthly wage raise (of \$12.85) on July 9. The GOG acknowledged the agreement on July 10.

5. (SBU) Privately and publicly, industry employer groups have reacted strongly against the use of the threat of closure by the GOG to compel collective bargaining. CACIF Labor Commission chief Carlos Arias told LabAtt that employers believe the GOG should close the plants for violations rather than force them to negotiate a CBA "with a gun to (management's) head." VESTEX maquila employer association labor advisor Rolando Figueroa accused the GOG of "acting under political pressure" from international organizations which "don't understand the economic realities

in Guatemala." "(The GOG) should give appropriate attention to labor violation complaints, but follow the course of the law."

Comment:

16. (SBU) If implemented, the Choi Shin/Cimatextiles collective bargaining agreement will be the first in the Guatemalan maquila sector (previous agreements prompted management to close their plants and reopen elsewhere to break their unions). As such, it will set a precedent not lost on other maquila labor violators. The GOG believes this new coercive mechanism is legal and is an important new tool to punish and prevent labor violations in plants which benefit from export tax privileges. While the GOG's strategy in this case was high-risk (it might have resulted in the closure of the only two unionized maquila plants in Guatemala and the loss of 1300 jobs), the GOG deserves credit for achieving an outcome which may strengthen labor rights and cause violators to change their behavior.

HAMILTON